

[Mr. J. A. Saldanha]

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of this House. It is but fair on a general principle that this committee should be appointed to enquire into the economic condition and settle at what rate the incidence of taxation should be increased. I therefore heartily sympathise with the object of this resolution. The speech of the hon. Member, Sir A. P. Patro, struck me as very strange, having regard to the fact that he and his party have again and again joined the whole House in re-affirming that important principle that the consent of the House should be taken before the rate of increase is settled. It is very strange that he should oppose this resolution. In the interests of the universal application of the principle of this resolution to the whole Presidency I hope this House will support it, every one at least of the elected members. This is a very important principle. We only ask in a very modest way for the re-affirmation of the principle which this House has adopted more than once during these six years."

* The hon. the PRESIDENT :—"The House will now adjourn and re-assemble at 2-30 p.m."

(For further debate on this resolution please see page 353 infra.)

After Lunch (2-30 p.m.).

IV

ADJOURNMENT MOTION RE THE APPOINTMENT OF MR. NATARAJAN
TO WATCH THE CARNATIC PAPER MILLS.

* Mr. SAMI VENKATACHALAM CHETTI :—"Mr. President, Sir, I move—
'that the business of the House do stand adjourned, to discuss a definite matter of urgent public importance, namely, the question of the employment of Mr. Natarajan on Rs. 650 per mensem for merely watching the machinery and buildings of the Carnatic Paper Mills.'

"The manner in which the Government have managed to take possession of the Carnatic Paper Mills is a continuous series of muddles. The Government have made a parade of their abundant solicitude for the rate-payers' money in justifying their action in taking possession of these mills from the hands of the directors of the company. It is well within the memory of the hon. Members of this House that this indigenous undertaking was the first of its kind in which a large amount of public money has been invested. After the State Aid to Industries Act was passed, the management of this Carnatic Paper Mills Company approached the Government, thinking that the intentions of the State Aid to Industries Act would be honestly fulfilled by the Government. The Government no doubt lent a helping hand to this company in the beginning. But never did they do it in any graceful manner. At every step, there was a spirit of suspicion as to the successful working of these mills. Lakhs of money might be spent in spite of the protests of persons competent to speak on the Russellkonda Saw Mills; but yet, if we on this side of the House should ask the Government to give an indigenous concern like the Carnatic Paper Mills some amount of money, not on purely business lines, but with a spirit of sympathy, all concern for the tax-payers' money rises up in the hearts of those men filling the Treasury Bench. The Ministers who happened to be in charge of the Industries Department may in their heart of hearts be sympathetic towards such a concern, but I know they are being pulled by the Reserved side, especially the Finance Department, not to transgress what they consider to be . . ."

* The hon. the PRESIDENT :—"I am afraid the hon. Member is making too long a prelude to the subject matter now under consideration."

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MR. SAMI VENKATACHALAM CHETTI :—"Sir, the unfortunate circumstance that is attached to this Carnatic Paper Mills Company is that it is difficult to separate one muddle from another muddle without making some reference to the previous muddle. The latest muddle of the Government seems to me to pay an amount of Rs. 650 per mensem to one Mr. Natarajan who takes pleasure in calling himself not Natarajan but Nat Ragan, for merely watching the buildings and mills of this Carnatic Paper Mills Company. It was only yesterday, Sir, that we came to know that the Government could possibly commit such a blunder as this, i.e., to pay an amount of Rs. 650 for merely watching the buildings of the mills. The Government admit that he represents a firm or a corporation which is considering to buy these mills. It seems to me an absurd business proposition that the very person who is considered to be the prospective buyer of this machinery should be placed in charge of it and asked to watch that machinery. It reminds me, Sir, of deputing the wolf to keep guard over a flock of sheep. I ask any businessman to reconcile this position, namely, of deputing the very person who, in the opinion of the Government, is intending to buy this concern, to be in charge of it before the transaction is actually closed. I am also surprised at the manner in which this young man—I am told Mr. Natarajan is only a very young man—is able to bamboozle the Government to a position such as this. His antecedents do not seem to be creditable. I wonder how a Government which is ordinarily expected to be in possession of all the facts and never to stint expenditure where they consider it necessary to shadow political workers, is not able to know the antecedents of this man. I do not want to speak anything more about it because I am sure the Government, if it only cares to look into these things, will be able to know more about this Nat Ragan than what they pretend now to know about him. I have no doubt more will be said about this person by my hon. Friend, Sir A. P. Patro, who seemed to be once in the grip of this enchanting young man. I am only sorry, Sir, that the very interests of the tax-payers which the Government are so much concerned to safeguard will be jeopardized by the action they have already taken and continue to take in the same manner in which they have done. But I have no doubt that their experience of this young man will be very very unpleasant. It is my duty to forewarn the Government of this. I therefore move that the business of the House do stand adjourned."

* MR. K. V. R. SWAMI :—"Mr. President, I second this motion and submit to this House that this subject has been before the House more than once. Even yesterday by a number of questions, some information was sought in this House from the Government benches but the Government have decided not to take this House into their confidence. They always give evasive answers, they do not say what they are going to do with the mills, why this mill was handed over to a young man of the description which my hon. Friend and Leader has given just now. The antecedents of this young gentleman are not known, and it is reported that he once floated a company in this very city known as the Indian Industrial Trading Corporation, Limited. The concern collapsed and as observed by my Leader, Sir Patro was one of the directors of the concern. He happened to be a director purely because of the enchanting inducements given by this young man."

MR. K. R. KARANT :—"What are those?"

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Mr. K. V. R. SWAMI :—“ He represented himself, it seems, to a number of gentlemen in this city that he was the agent of a very important company in London, and that he had already taken some contracts for oil and if the company was floated and oil was manufactured in the city, they would be getting money just for the asking of it. This was the promise held out by this young man. Then he was an expert in oil; now he has turned out to be an expert in paper making. The hon. Mr. Moir was telling us the other day that he had gone from the Himalayas to Cape Comorin in search of an expert, but he could not get one. After all I now congratulate him in fixing upon a proper man, i.e., Mr. Natarajan. Yesterday it was given out by the hon. the Development Minister—I do not know how far he is responsible for this appointment—that this young man was appointed as a representative of a company whose existence or antecedents he did not like to disclose, for a payment of Rs. 650 a month. Formerly it appears the Government were spending Rs. 1,000 on this concern simply to keep it up, to protect it from being spoiled. Now this young man, out of philanthropy or kindness to Government have accepted to watch and keep this company and its properties intact for a payment of Rs. 650. Now, Sir, to a supplementary question put by an hon. Member of this House, the hon. the Development Minister said that a guarantee in the way of a cash deposit of Rs. 1,50,000 was taken from this young man. For what purpose this amount was taken as a deposit, it is not stated.”

Dr. B. S. MALLAYYA :—“ Has he deposited a security ? ”

Mr. K. V. R. SWAMI :—“ That is what is understood from the little that was said by the hon. the Development Minister. I do not know whether he will say anything more or he will stop there. The Government are very reticent on this subject. We sought for explanation both inside this House and outside it on so many occasions as to what they intend to do with this mill. We told them that the country was very much interested in this mill and that the country wanted this mill should be helped by the Government and put in proper working order. I said once before that this Government is aiming to kill this industry outright.

2-45
p.m.

“ I repeat it again, I repeated it even outside this House, though my hon. Friend, the Finance Member, threatened me with prosecution or action or something of that sort. The object of the Government from the beginning is to kill this industry outright. They have determined it from 1925 and with that avowed object they have lent the money and taken possession of the mill. If it is not the intention of the Government to destroy this industry and to prevent people from advancing more money on any private firm, why should they take possession of the mill now, and show to the people that Government has already taken possession of this mill and that there is no prospect of this mill being worked or helped by Government? The only result will be that Government will have full powers to sell the mill. They had already given notice and they had now handed over the mill to a company from which they had an offer. Sometimes they say that they have nothing to do with the company and that this company is merely requested on behalf of Government to keep a watch on the mill in order to protect the mill from being spoiled or destroyed. That is all that they say. But, we assert that since we are not contradicted in this matter, except by a vehement speech from the Treasury, not disclosing any facts at all, I make bold to say

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again that the information that the people have got is that a few gentlemen, three or four English gentlemen, constituted themselves into a company and put up this young man as a representative of that company. What the Government want to do is to swallow a concern which was built up at a cost of 24 lakhs for a petty sum of 4 lakhs; they in their generosity and in the interests of the tax-payer want to sell away all the property for 4 lakhs, whether paid or to be paid in future. And this one and a half lakhs is stated to be only a deposit made by this young man in respect of the payment of Rs. 650 a month. It is not the security by this man for his pay but an advance for the sale-proceeds that has to be paid by the company which he represents. That is the information we have got. If the Development Minister or his patron the hon. the Finance Member wants to deny all these things, he may do so. Unfortunately, we have got just now a Development Minister who has not got a party of his own, but has simply to rely on the strength of the Government. He cannot assert his own independence and has to depend entirely for everything on Government and he has placed himself entirely at the disposal of the Finance Member. Even for giving information to this House or to meet arguments from this side, it is always the Finance Member who is always obliging this House.

"So what we submit to this House is, our anxiety is to see that this industry is not destroyed by the action of this Government. What happened all these three or four years? What is going to happen is after the expiry of the time given to this company, that is the 1st January 1929, the Government is going to sell this property worth 24 lakhs for a petty sum of 4 lakhs to this company, in which I am told, some of the high officials are interested also. I shall be very glad . . ."

The hon. Mr. T. E. MOIR:—"Is the hon. Member in order in making a charge of that kind against the officials without specifying the names?"

Mr. S. SATYAMURTI:—"Is it a point of order?"

* The hon. the PRESIDENT:—"If any reference is made to any particular Member of this House, I have to consider whether that statement is in order. If the hon. Member makes any reference to a general body, I do not think that the House need take notice, or the President need take notice of it."

Mr. K. V. R. SWAMI:—"I make this statement not to make any insinuation against any officials, but to give them an opportunity to clear up these rumours which are circulated amongst the shareholders. If they deny all these things, I shall be very glad. Even last time, the hon. Mr. Moir made general observations. That is not the way . . ."

* The hon. the PRESIDENT:—"I am not able to see how all this is relevant to the motion now under consideration."

Mr. K. V. R. SWAMI:—"We submit that this Rs. 650 is not given as salary to Mr. Natarajan, but it is a sort of arrangement between the Government and Mr. Natarajan, to simply allow time to pass, because the Government have given notice to the company to pay the amount of Rs. 7,80,000 before 1st January. As I said before, this lakh and a half that is stated to be deposit money is only a part of the amount of 4 lakhs for which this mill is going to be sold. In that light, I submit to this House, that what I said is quite relevant and I bow to your ruling.

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"If the Government really want to support this mill, the only course that is open to them is to advance some more money. Yesterday, curiously enough, the Development Minister said that he wanted twenty lakhs to run this mill. That is what he said. When he was asked wherefrom he got this information, he asked for notice. He did not know wherefrom that information came. One of their own paper experts has stated that three to five lakhs are required for working capital. Now they say all sorts of exaggerated stories only with a view to sell away this mill to a European firm and to induce this House to believe in all things they have stated. So, the adjournment motion is really a motion to express the opinion of this House with regard to the action taken by the Government in this matter."

The hon. the PRESIDENT:—"The question is that the business of the House do now adjourn."

* The hon. Mr. M. R. SETURATNAM AYYAR:—"Sir, I wish briefly to state the present position in this matter. The position of Government has been explained to the Council in the course of the last adjournment motion debate. They have stated there that Government were not satisfied as to the commercial possibilities of the mills and they had serious doubts as to the correctness of the estimates placed before them by the management of the company. As the most important thing to be done in connexion with the mills appeared to them to be one of efficient management, the Government were making enquiries whether any firm with experience of paper manufacture would be willing to undertake the managing agency of these mills. Several firms were approached but with no practical results. Mr. Natarajan on behalf of the Industrial and Trading Corporation then made an offer to take over the mortgage rights but that was not accepted. At the time, the Government was satisfied as to the credentials which Mr. Natarajan produced. An influential firm also agreed in writing to stand behind the negotiation to the extent of a third (A voice from the Congress benches: Which is the firm?). The name of the firm is Khaleel Shirazi & Sons of Madras. As it seemed to Government that the proposals were really actuated by a genuine desire to take over the mills and work them, they examined them. Anyhow the question of transfer has now been dropped and as no other course was open to Government, they have given notice to the company that if their dues are not paid, the Government will proceed to exercise the power of sale conferred on them by the mortgage-deed. The period of three months will expire next January. In the meantime the Government have accepted an offer made by Mr. Natarajan on behalf of the Corporation to look after the mills for a monthly sum of Rs. 650. As the Government, ever since they took possession of the mills in March 1928, were incurring a monthly expenditure of Rs. 1,000 on staff and maintenance of machinery, they accepted Mr. Natarajan's offer in the interests of economy. It is not a fact that the Superintendent who was originally at the mills is now denied access to the mills. He is still there in immediate charge of the mills, machinery and buildings (A voice from the Congress benches: Who pays him?) (He is paid by Mr. Natarajan.)

"As regards the question whether as representative of the Corporation he is the proper person to be entrusted with the supervision of the mills the Government consider that no harm will result by his being in charge of the mills as he has no power either to add to the machinery or remove any portion of it nor can he prevent any other firm wishing to inspect it with a view to

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taking it over from inspecting the mills. The Director is still the controlling authority and Mr. Natarajan works definitely under the orders of the Director. The Government are prepared to give all facilities to any firm or individual who wants to inspect or in any way ascertain the possibility of the mills. If any other economical offer had been forthcoming the Government would certainly have availed themselves of it. It is only in the absence of any alternative the Government had recourse to accept Mr. Natarajan's offer in the interests of economy. If Mr. Natarajan spent any money in carrying out extensive alterations to machinery or adapting buildings or adding new machinery, he does so at his risk, because the mills, to the extent he spends money, will get the benefit of the appreciated value. The Government's interests are perfectly safeguarded under existing arrangements. At the present moment Mr. Natarajan has no interest in the mills. At any time, his agency may be terminated.

"That is the present position, Sir, regarding the mills."

* Mr. P. ANJANEYULU :—"Mr. President, Sir, I have very carefully listened to the written statement made by the hon. the Minister for Development. There are two points that stand out prominent in his written speech. One is that they were satisfied with the credentials of this peculiarly interesting gentleman *at the time*. I do not know whether they are still satisfied. The other question that concerns us is what peculiar business this gentleman does when the Director of Industries is practically doing the whole thing there, and the Superintendent of the mill is doing everything. This is an extra office created for no ostensible purpose. That they have not yet disclosed to us and it stands to reason that we should expect the Government to tell us what the particular purpose is for which this gentleman is placed there. He also told us, Sir, that he has the liberty to extend the building or to add to the machinery. When there is adding on, there will be the counterpart of deducting. So, when he has access to the machinery, he can add on to it. When he has the liberty of meddling with the machinery, he may also do things detrimental to those who will be coming hereafter as purchasers. These are questions on which no definite information is given. I hope those who come after the hon. Minister to speak on this will explain them. In a matter like this, all passions and provocation should be eliminated; but I am sorry to find that that passion comes from the other side of the House. I can understand if it came from this side, as we represent people who have invested a large sum of money in the business and who have a large stake. Government have not done anything to secure the interests of the mill or of the people."

3 p.m.

The hon. the PRESIDENT :—"May I request the speaker to confine his remarks to Mr. Natarajan."

Mr. P. ANJANEYULU :—"Whatever may be the interest of Mr. Natarajan or, for the matter of that, of any officer in it what I want to know is if an offer comes from the public, in the locality itself or from any other firm or from any other gentlemen, on the same terms as those now offered to Mr. Natarajan, whether the Government are prepared to state that they are willing to accept it."

* The hon. the PRESIDENT :—"I am afraid the speaker is going beyond the terms of the motion."

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Mr. P. ANJANEYULU :—" I hope they will take us into their confidence and place the matter before the House, in all its bearings before they finally finish the business, and not keep this Mr. Natarajan there a minute longer."

Mr. T. ADINARAYANA CHETTIYAR :—" I do not want to make a speech. I want to know whether there is anything to prevent this from being thrown open to others, on a reasonable offer, who are willing to work it."

The hon. Mr. M. R. SETURATNAM AYYAR :—" Nothing."

Mr. RAMANATH GOENKA :—" I had no idea to interfere in this debate, but as I heard some very interesting remarks from the hon. the Minister I am forced to say a few words. The hon. the Minister in his speech said that Mr. Natarajan can make some additions or alterations in the mills at his own risk. It is a very funny, and a very damaging statement."

The hon. Mr. M. R. SETURATNAM AYYAR :—" I did not say so."

Mr. RAMANATH GOENKA :—" Sir, he said if he makes any additions or alterations he does so at his own risk. Why should he be allowed to meddle with it, what is the necessity for that statement if there is nothing behind it? Secondly, when I asked the hon. the Minister yesterday about this he said that Mr. Natarajan is appointed as supervisor of the mill. They did not advertise for a supervisor and it is very curious to hear that they appointed him for the sake of economy and that they could not get any other. Did they try to get one on a salary below Rs. 650. They entered into a private arrangement with Mr. Natarajan knowing fully well his real condition. What work is he doing? Is he supervising the mill, or supervising the officers? Nobody knows. Hence I do not think Mr. Natarajan is entitled to a pay of Rs. 650. Was any other firm approached? My friends of the Treasury Bench say that in a matter like this they went round to private persons. I have seen, Mr. President, that these advertisements do not come in public but they go by private arrangement. You remember the cement tender appeared in none of the Madras papers but it appeared in the Calcutta papers. So too they will never advertise in this case but sell the firm to somebody and say that they cannot get anyone. What we want is that they must advertise in the papers. I do not say that the mill is worth four or five lakhs; I am not going into that controversy. As a matter of fact the mill was very badly managed, a lot of money went to the Port Trust and for six months the machine was with the Port Trust. Whether it is correct I do not know. I was told so. But nobody denied it and you cannot deny a fact. As it is, they ought to have advertised for a supervisor and not appointed one on the ground that he is a probable purchaser; for he will say this thing is wrong with the machine, that part is bad, the other part is useless and so on, and thus try to reduce the price of the machine. Therefore I say, Mr. President, so long as Mr. Natarajan is the probable purchaser he should not be in charge of the mill."

Mr. M. NARAYANA RAO :—" Sir, I think I shall be doing a great injustice if I do not relate my experience gained from my association with Mr. Natarajan for some time. Mr. Natarajan approached me regarding this matter, and even asked me to purchase this concern."

Mr. S. SATYAMURTI :—" When was it?"

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Mr. M. NARAYANA RAO :—“ In August or July last. Unfortunately or fortunately I come from a family which has had some connexion with the industrial development of this country. I myself happen to be the managing director of a concern which is the premier concern in the Andhra country. So he must have heard of me and he came to me and wanted me to join him in the formation of this new company. He first told me that the Government insisted that one-third of the capital should be found in India; for he said that the Finance Member and some of the Government officials wanted to secure the confidence of the people and that this could be obtained only if one-third of the capital was the concern of the people. I asked for the terms, and thereupon he said, Sir, it was already decided that he should purchase the concern and that Government had decided to sell it to him. I thought he was true and honest and only afterwards I found him false. He told me he had even paid the money to Government. Then I told him that I would have to convene a meeting of the shareholders to see whether they could do something for themselves. I asked him to convene the meeting at Rajamundry, and it was held there and at that meeting Diwan Bahadur M. Ramachandra Rao, a member of this Council for a long time and who has experience in this business, and Mr. N. Subbarao Pantulu were present. We thought that Government should be approached and asked to give a patient hearing to the shareholders and enable the shareholders to meet and discuss their affairs with the Government. The shareholders were not able to meet and discuss the whole affair for a long time. But the management was in a very bad condition, so much so although requests were made, no meeting was called for and the shareholders were not in a position to try to work the mill. Perhaps if the shareholders are given an opportunity they will be in a position to purchase the mill for this four and a half lakhs for themselves and work it for themselves. My friends are anxious to hear more about Mr. Natarajan. I would request the hon. the Minister to call for a copy of the report which Mr. Pattabhi sent to the Commissioner of Police about Mr. Natarajan, in which his credentials or discredentials (laughter) will be found. Here is a full report sent to me by Mr. Pattabhi. It is a very long report and I cannot read out the whole to the House. I am sorry Sir A. P. Patro is not here. (Laughter.) The old one was called the Indian Industrial Trading Corporation and the present is called Industrial Trading Company. Mr. Natarajan approached one Mr. Subrahmanya Ayyar, a wakil, Sir P. S. Sivawami Ayyar, Sir C. P. Ramaswami Ayyar, and others and some of them joined the company and Sir A. P. Patro seems to have taken an interest in the matter. For, after ascertaining the position of the company, Sir A. P. Patro was responsible for the liquidation of the old company, as it was not beneficial to himself or the country. Mr. Natarajan told me that Shirms has offered to take a portion of the capital, i.e., that which is to be subscribed by the Indian people. I talked about the terms and wished to give preference to the old shareholders. He explained to me that 4½ lakhs is a very small price and the shareholders that would purchase the concern would reap the benefit at least to some extent. So I thought my first duty was to ask the Government to work it themselves. This meeting that I referred to and that was convened at Rajahmundry passed a resolution asking the Government to call for a meeting of the shareholders at which the hon. the Minister for Development might be requested to be present and try and see if the shareholders themselves could work it. A copy of that resolution was sent to

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the hon. the Development Minister and I also had a talk with him about it afterwards. The hon. the Minister said that he had nothing to do with the calling of the meeting, and that either the directors or the shareholders should call for such a meeting, and so on. I told him that the shareholders are anxious to meet and there is nobody to call for a meeting, and I impressed upon him the necessity of calling for a meeting. I think Mr. Anjaneyulu and others were also present at the time. I have not heard anything about it from Mr. Anjaneyulu or anybody afterwards. I also offered that if six months' time were given to me I would try to rally round the shareholders or any new people that may come out with the necessary finance to purchase the concern for the amount that Mr. Natarajan might offer. But the Development Secretary in the presence of the hon. Minister said that I should give a guarantee that if after six months' time I could not purchase the concern, I should pay the penalty, namely, that I should pay whatever the Government might lose on that account. I said that I only wanted somehow or other to see that the shareholders and others are rallied and that something is done in the matter, and that I could not take the risk on myself for any loss to the Government. I am prepared even now, if two or three months' time is given to me, to try to really round the shareholders and also get other people to finance it, and to see that the concern is purchased on the terms offered by Mr. Natarajan. The Government waited already for such a long time and I do not see why the Government should not wait for two or three months more. If they want to sell the concern to Mr. Natarajan they can tell him definitely after two or three months. I am confident that for this 4½ lakhs people will come forward to purchase. And there is a sort of idea in the people that the Government of the country do not care about the shareholders. There would be a lot of co-operation in the country if sufficient time and opportunities are provided for them. So I would appeal to the hon. the Development Minister to at least wait for these two or three months, to give to the shareholders, through me, an opportunity to try and purchase the concern for themselves. I am surprised to hear that Mr. Natarajan is only a supervisor in the mill. The other day we happened to travel from Ellore to Madras and Mr. Natarajan also happened to be in the same compartment. He told me that he has taken possession of the mill. And incidentally I met Mr. John, Council Secretary to the Development Minister, and I asked him what would happen to the Carnatic Paper Mills. He said the hon. the Minister would visit the place some time next month leisurely and see what could be done. So I put Mr. Natarajan and Mr. John face to face and told Mr. Natarajan that the hon. Minister was going to come and look in to the affair some time next month, but he replied that the transaction was closed and added 'we have taken possession of the mill'. I said that Mr. John informed me of the Minister's coming visit. He took Mr. John aside and then came and said to me that the Minister did not know anything about this. (Hear, hear.) Mr. Natarajan told me this after Mr. John went a little bit aside.

"These are the facts and I would ask the hon. the Development Minister to take them for what they are worth, to be more careful about Mr. Natarajan and to see that no rectification or tampering or anything of the kind is done by Mr. Natarajan until it is decided by the Government positively whether to hand over the mill to him or to sell the concern to another body, Indian or

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local. I think the first duty of the Government should be to help the shareholders and if they do not come forward, then offer the mill to any other Indian gentleman or any gentleman of those parts who comes forward and offers to take it. I think, if a Government Order is issued and a proper publication of it is made, the Government will stand to gain and the shareholders will also be benefited by it and"

* The hon. the PRESIDENT :—" On this motion, the hon. Member will be in order only to suggest steps to be taken regarding the employment of Mr. Natarajan."

MR. M. NARAYANA RAO :—" So, Sir, if Mr. Natarajan is there, it may be difficult for anybody to approach the Government for a purchase as he is himself a purchaser. People who are desirous of purchasing will naturally be suspicious of him as he may put the machinery in disorder. It is natural that one who is there will look to his own interests and people outside will generally think that the man who is there would see that the good parts are concealed. Suppose, I am the likely purchaser and if I go there I would think that Mr. Natarajan has been there for such a long time and he would naturally see that alterations are made to the machine in such a way that I would not be able to run the thing. Suppose, he puts a sort of nail or some such thing somewhere, the whole thing would be gone. Can I purchase a machine when a person who is very anxious himself to purchase it is there? My first duty is to see that nothing is wrong with the machinery. If I want to take the thing as I do at this moment, it would be a lot of trouble to me to see that everything is examined and whether everything is all right or not. So, I would suggest to the hon. the Minister to see to the discontinuance of the appointment of Mr. Natarajan immediately if he cares to obtain other purchasers either from the shareholders or from the local people. I would even go to the extent of saying that even if they are under any agreement to pay anything to him, they may pay him the money due to him free as a kind of charity or anything of that kind and dispense with his services immediately in the interests of the mill and the purchasers that are likely to come hereafter. With these few words, I beg to support this motion."

* MR. G. V. VENKATARAMANA AYYANGAR :—" Sir, I want to say a few words as the matter seems to be assuming a rather serious aspect. I am one of those who think that these adjournment motions are generally of no use whatever, but fortunately for the Government and fortunately for us—fortunately for the Government because they have now a chance of redeeming their reputation if they had any till now—there seems to be some prospect of a little good coming out of the present motion. This motion has made it clear as to why the Government are so anxious to foster this so-called Mr. Nat-Rajan. From the answers given yesterday and from the written statement evidently prepared by the department and read by the hon. the Minister, it seems to be clear that this Mr. Natarajan has nothing to do with this business except as the representative—I do not know in what capacity—of a certain corporation. The whole question is whether this corporation itself will be able to fulfil its duties or whether it has come there simply to do mischief, with a view to do harm to the country or with a view to get new machinery order for England. We have clearly now something on paper that a sum of 1½ lakhs has been deposited with the Government. I am sure the hon. the Finance Member is going to open his fire now. And instead of firing

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children's crackers as usual, it will be better if he takes this House into confidence and gives us some information we are asking for. This is not an ordinary matter. The rate-payers of this Presidency are interested at least to the extent of 7½ lakhs. The four thousand shareholders mostly from the Andhra districts are interested to the extent of about 16 lakhs which they have subscribed in cash. It is therefore desirable to know as to what this new company is, whether this new company will be able to fulfil its portion of the contract. We will be glad to know when this new company was registered, what the registered capital of this company is, what the subscribed and paid-up capital are and so on. It will be very interesting to know as to whether this company is really composed of businessmen who will be able to run this mill. We have more than once said, and we repeat that statement to-day, that the interests of the Government seem to lie in killing this paper industry as they have already killed some other industry in this Presidency and, with a view to prevent Indian shareholders from paying money hereafter for such institutions, simply to encourage Europeans or Europeans' nominees. I shall be glad to have a declaration that I am wrong, in which case I will be pleased to acknowledge that I am wrong, once in my life. Then the further question is, has this sum of 1½ lakhs been given as a portion of the money for fulfilling the contract, or as a guarantee to return this factory, if necessary, in its full original state. If the latter, had anybody examined the various pieces of machinery before we handed them over to Mr. Natarajan? My hon. Friend has referred to the possibility of any mischief being done to the machinery. I know of an instance in a mill in which I am interested. An engineer in charge of a Diesel oil engine was dismissed. A few days afterwards the engine had an explosion, and luckily only a few people were injured, and there was no fatal case. On examination, it was found that some sand had been put inside the engine. This shows that some sand can be deposited in the engine and that it will cause much mischief. We know practically nothing, certainly not much, about Mr. Natarajan. But if his attempts to get hold of this mill are frustrated, I am sure, in his human nature, he may do any mischief and it will certainly prevent prospective purchasers from coming in. My hon. Friend from the north, Mr. Narayana Rao, has made a very serious offer. I, Sir, as one of the humble people taking part in industries will also repeat that offer. The hon. the Finance Member asks me to mention as to what my hon. Friend has offered. My idea was to repeat it not once but two or three times. Once the hon. the President will allow me to repeat, a second time I shall repeat it privately, and a third time I shall repeat it in the hon. Member's chamber. It seems that the contract has been practically settled; but if it has not been settled, we want to know whether there is still some ray of hope that the Government may do something to help this large number of poor shareholders and give them a chance to take it up on the terms which the Government have practically accepted from this company.

"My Friend has made an offer that he may be given two months by which time he would try his chance of getting another company or this company itself renewed to purchase this concern for the sum that the corporation, or on behalf of the corporation Mr. Natarajan, is offering. We do think that a concern which has cost nearly Rs. 25 lakhs, a concern for which Mr. Raitt, the Government of India expert, has said that the Government should, as a matter of obligation, pay Rs. 10 lakhs to make it going, a concern like that

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must necessarily be worth much more than 4½ lakhs; and certainly some of us interested in Indian industries and some of us who have even burnt our fingers sometimes in such things will be glad to risk a small sum and try to induce other gentlemen to come forward and take it up. I have satisfied myself that if we do it, it will be no risk and people who invest will be benefited. We are repeating this offer, we repeat it on behalf of the shareholders, on behalf of the people living in that locality and in fact on behalf of the whole province. The Government should publish what the terms are. So far as I see, the corporation wants to purchase the whole concern for 4½ lakhs.

"We are told that 1½ lakhs has been deposited; we have not been told as to when the balance is to be paid, and whether the deposit is in the form of security bonds or whether it is in Government bonds or currency notes. I want information as to how the remaining sum of 2½ lakhs is to be paid. If the Government make up their mind to sell this concern we will certainly consider it, but on one condition, that Mr. Natarajan be sent out at once. The hon. the Minister said yesterday that they had entered into an agreement with Mr. Natarajan for three months. It shows the unbusinesslike manner in which one competitor was given an advantage. Probably the Government were obliged to do it without knowing any of the serious consequences that may result from it. Money seems to be flowing freely from the Government in various matters. We know various concerns on which lakhs and lakhs have been thrown away. We have been told that out of three months, one and a half months are gone; if so, we may probably have to give Rs. 1,000 as compensation if we have to send Mr. Natarajan away. The Director of Industries will be able to select one or two people to look after the mill. Any ordinary maistri can do that work. Certainly he will not do mischief. We do repeat if the Government is really honest and fairminded and sincere in their statement that they want to safeguard the interests of the shareholders and the interests of the country, I challenge them to consent to our agreement, that two months and only two months' time be given to the shareholders and other people. The hon. the Minister, the Director of Industries and possibly the Finance Member may grace their meeting and help the shareholders with their advice to somehow or other effect the much-needed salvation.

"Then again, if you are sincere, you can put it up in public auction; you can advertise it and sell it in public auction so that people may come from far and near and take this opportunity. If that is not accepted, allow the shareholders and their friends to accept those terms. Let Government place their cards on the table, let them show their responsibility by giving due publicity to the matter. If they do not give us all possible information, if they do not give an opportunity to men of this province, so far as this industry is concerned, then they will be playing false to themselves and to the province of Madras."

* The ZAMINDAR OF SINGAMPATTI:—"Sir, I desire to speak a few words in this connexion, with your kind permission. Of course, the benign Government has appointed the Ministers on sound considerations and they have some responsibility. The hon. Mr. Seturatnam Ayyar has selected Mr. Natarajan to watch the mill. Well, I have no idea about Mr. Natarajan. (A voice: (Nobody has any.) I can say I have great love for one Natarajan, who is at Chidambaram. (Laughter.) The hon. Members of this House are hammering

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on Mr. Natarajan and the Development Minister. I pity them. (A voice: 'Oh!') The hon. Members of this House are crying and crying. Therefore I think there is some case against Mr. Natarajan. But I have got great doubts in my mind about the phrase, i.e., 'watching the mills'; and I shall be most thankful to the Minister if he will satisfy me as to what 'watching the mill' is, whether he means, watching the buildings, watching the machinery or what. (Cheers.) Where was the necessity to appoint a man for merely watching the building and machinery? More light ought to be thrown on the real object."

Dr. B. S. MALLAYYA :—" Mr. President, I thought of speaking after the Finance Member has revealed the policy of the Government, but since he has not been pleased to do it, I think I shall refer to a few facts concerning this matter. Sir, Mr. Natarajan came in for a good deal of discussion, and he was dissected clean down to the bone. We will leave him alone. Natarajan is only a pawn in the game. I know more about Khaleel Shirazi than some of the Members there. He is out for a big coup; he is after the paper mills at Rajahmundry. The public by co-operation have raised 20 lakhs and invested their money in it. They want a little more time; they are a little nervous; and is this the time for the Government to discredit that mill and make the public believe that all their money and all their effort are going to end in vain? Are you going to sell away the concern because of the 4½ lakhs due to Government? What is the Government's policy in regard to the planters of Malabar, I ask the gentlemen occupying the Treasury Bench? They gave only a few years ago to the planters Rs. 4,60,000 or Rs. 4,90,000. Did you recover a pie from them? Did you not write off those sums, because those people happened to be your cousins? But when it is a case of Indians starting an infant industry and when they find that their resources are not sufficient and want a little help from you, you say, 'Here are our experts who say it is all bad'."

* The hon. the PRESIDENT :—" The discussion is about Mr. Natarajan, the watcher, and the hon. Member is not in order to discuss about other experts."

Dr. B. S. MALLAYYA :—" Mr. President, I am talking of Mr. Natarajan only, and I will end with him. The question arose because the hon. the Minister referred to experts being consulted. I only want to know from the hon. Minister whether any experts from Japan were consulted. They are the best men; you cannot rival the Japanese; for 100 yens you can get down a Japanese expert here. But is the Government prepared to allow that? No. They are always jealous of the Japanese; they are suspicious about them. They want this company to be wound up. They want to deery it and finally arrange to pass it on to a European ring. That is their idea. If they are really inclined to develop this industry, why should they not give it another 4½ lakhs, or wait for some more time instead of shouting out that there is nothing in the mills and they are going to end in smoke? Should that be the attitude of the Government? There is absolutely no case of any industry being ruined by taking some time to rehabilitate itself. On the other hand, the scaremongers who are interested in putting down every Indian concern, are always interested in saying that this thing is going to end and become a failure. That ought not to be the attitude. I have enquired about this Natarajan. He is only a pawn in the big game. (A voice: 'A broker.') Not

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exactly a broker ; he was a broker some time before. I think he is helping the Government, and the Government have paid him Rs. 1,000 for looking after the mills, they say. This Natarajan came and said that he would run the whole show for Rs. 650. He is the coloured fly to be used in the big haul. He said he would pay Rs. 350 to the Superintendent, out of Rs. 1,000. He wants this mill to be transferred from the Government to a private agency, so that that private agency may sell it to a ring of Europeans for a higher price. So the man that stands to gain is Khaleel Shirazi. But the poor shareholders are to lose, to the tune of 20 lakhs. Sir, it was represented by an hon. Member of this House already that he could raise the sum and pay the Government if they had a little patience. I will appeal to the hon. the Minister, if he has any interest in Indian concern, to have a little patience and wait. We promise Government to pay them what they have given us."

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p.m.

The hon. Mr. T. E. MOIR :—" Sir, the debate which was started on a comparatively minor issue in connexion with this mill has raised a considerable number of issues which far transcend the very minor question as to how provisional arrangements should be made for looking after the Government property at Rajahmundry. (Mr. C. V. Venkataramana Ayyangar: Government property?) But before I enter into that question, perhaps I might just make one reference to the speech of the hon. Member from Rajahmundry. I do not know what useful purpose, he thought, would be served by repeating the stale allegations with which he favours this Council on every occasion on which this question of the Carnatic Paper Mills arises. A suggestion was made that Government, and myself in particular, were even more Machiavellian and more wicked than he previously suggested ; that when we made the loan around which so many complications have grown to this enterprise, we were deliberately aiming at entangling this concern in the clutches of the Government so that now, in this year of grace 1928, four years later, we might step in and secure a very valuable property on behalf of the tax-payers. Well, at any rate, I may say that he was entirely wrong in imputing that to me, because I was not a Member of the Government when that loan was made.

" Now, I would turn to the question of Mr. Natarajan. So far as I know, Mr. Natarajan's position is that of an agent for certain financial interests which are interested in the paper industry and which are looking round for a possibility of investing money in India in that industry. (Cries of 'hear, hear.') He was appointed agent on behalf of certain financial interests to enquire into the matter. I understand that those whom he represents have got financial support behind them even in Madras City which is prepared, if necessary, to give guarantees or to take part in this venture. Naturally, men of business do not invest their money in a concern without making some enquiries into it. If they were going to invest money in a concern such as the Carnatic Paper Mills, naturally, they would like to make a thorough examination of the properties, consider the prospects, make some estimates for themselves as to where it is defective, what additional machinery would have to be purchased and how the concern would have to be adapted to their conception of the way in which the paper industry could be run in that particular place. (Mr. Abdul Hamid Khan: And the Government pays for it Rs. 650 a month.) That, of course, takes some time. My hon. Colleague was of opinion that their interest in this concern was perfectly genuine and, that being so, it was perfectly natural that they should ask for an opportunity of examining the whole concern. At the time they asked for this opportunity,

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it was costing the Government Rs. 1,000 a month for the maintenance of the staff and establishment necessary merely to keep the machinery in good order. They offered to undertake that duty which was costing the Government as I said Rs. 1,000 a month if we would pay them Rs. 650 a month. (Mr. G. Harisavottama Rao: And to sit on the property?)”

* The hon. the PRESIDENT:—“Order, order.”

The hon. Mr. T. E. MOIR:—“May I ask, Sir, that I may not be interrupted? I should have thought better of the Deputy Leader of the Opposition. (Mr. S. Satyamurti: He does not know what parliamentary manners are.) The sum of Rs. 650 is of course quite a bagatelle even for three months. But after all, it is to be considered as a saving in respect of this unremunerative enterprise. There was no reason why the Finance Member should object to a proceeding of that kind provided that there was the necessary safeguard. (Mr. Abdul Hamid Khan: Pennywise policy.) What were the possible risks? It is suggested that this staff or establishment would indulge in throwing sand into the boilers and into the machinery. To what purpose? (Mr. C. V. Venkataramana Ayyangar: To scare away possible purchasers.) They are anxious to purchase this concern. The minimum terms on which the Government would accept their offer are known to them. Why then do they want to scare away prospective purchasers and do damage to what might some day become their own property? Will any businessman suggest that this is a reasonable proceeding? Would Mr. C. V. Venkataramana Ayyangar, one of the leading businessmen in South India himself, do a thing of that kind which would depreciate the value of the property which he can keep for himself with beneficial results?”

MR. C. V. VENKATARAMANA AYYANGAR:—“A word of personal explanation, Sir. I would do it if I know where the sand is to be put in the machinery so that, if and when I get the machinery, I could remove it without danger and without any great expense.”

The hon. Mr. T. E. MOIR:—“I am not a judge of these matters of commercial morality. But I do not believe Mr. Venkataramana Ayyangar, knowing as I do his reputation in the business world.”

* The hon. the PRESIDENT:—“The debate is assuming more the shape of a dialogue. I do not like that we should allow the debate to degenerate into a dialogue.”

The hon. Mr. T. E. MOIR:—“To return, Sir. By this arrangement we make a small saving and were in a position to satisfy the people whom Mr. Natarajan represents about the condition and value of the property. Apart from that, the concern did not pass into the hands of Mr. Natarajan. It is still, and it has been ever since the troubles connected with it arose, under the direct supervision of the Director of Industries who is responsible to Government for seeing that the terms of the arrangement with Mr. Natarajan on behalf of his principals are carried out in full. (Mr. C. V. Venkataramana Ayyangar: What are those terms?) I think it is a pity I am not conversant with all the details. (Laughter.) My hon. Colleague whose concern they are will be able to give you the details. (Mr. S. Satyamurti: Why not leave it to him?)”

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*The hon. the PRESIDENT :—"Order, order. The hon. Member will kindly resume his seat. If the Opposition cannot tolerate the speech of the hon. the Finance Member who is also concerned in the matter of the dues, I do not think the House will at all be benefited by this debate."

The hon. Mr. T. E. MOIR :—"I may say, Sir, that the arrangement was entered into for a period of three months. I understand that that period expires on the 1st of January and that we are at perfect liberty to terminate that arrangement at any date which may suit our own convenience. A very important point, because, as I shall explain, our position is entirely open and if any offer is made to us which suggests that we can at once dispense with the services of Mr. Natarajan and the interest which he represents, I have no doubt my hon. Colleague would be entirely willing to do so. But we have not been debating this very minor issue of keeping the machinery in order. What we are really debating and have been debating is the future of the Carnatic Paper Mills. That is the real issue and I think every one knows it. Perhaps I may be permitted to say a few words on that issue.

"I do not want once again to traverse the somewhat melancholy history of this enterprise. It has been expounded, I think, on more than one occasion on the floor of this House. It was started, let us admit, by amateurs in an amateurish way and that although it is a highly specialized and technical industry. It is perhaps no wonder that the original company failed to make good. Government too, possibly, at that time were not fully conversant with all the factors that were essential to considerations of an enterprise of this kind. But they did advance a very considerable sum of money to that enterprise on the assurance of those who were at that time responsible for its conduct. I do not wish to go into every stage of the proceedings, but, more and more it became apparent that the enterprise and the company were not going to make good. It was also evident and becoming more and more clear that none of those connected with that enterprise had any knowledge or experience which was essential if it was ever going to succeed. On that basis, were the Government going to continue to pour in lakhs of the taxpayers' money? Personally I do not think that the Government would have been justified, and I do not think that any Member of this House would accept the proposition that they would have been justified if they had advanced more lakhs to a concern of which they were convinced that under the conditions then existing there was no chance of its coming to a successful issue.

"That view was endorsed by the shareholders themselves. They refused to invest another rupee into the concern. The hon. Member from Rajahmundry shakes his head but the fact remains that they declined to do so and have continued to do so. Therefore if there was any chance of this industry being placed on its legs it could not be through the agency of those in whose control it was, either the shareholders or the Director. Government had also learnt this and they realized that they too were in the same position as the shareholders. The Government were still the custodians of the taxpayers' money and they were faced by two issues. One was how to reduce the loss to the tax-payers as much as possible and the second was how, if possible, to enable this concern to be resumed and conducted under new auspices. Obviously the two go together. As the Government could not run it, what they wanted to do was to dispose of this concern to people who

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would run it and who would be prepared to pay to the Government the largest sum possible in order to enable them to acquire the right to do so."

Dr. B. S. MALLAYYA :—"Not the shareholders."

The hon. Mr. T. E. MOIR :—"The hon. Member refers to shareholders. This matter has been under discussion, I suppose, for the last two years. Have any shareholders come forward with any offer to pay to the Government what they owe or to pay to them even the equivalent of the sum which the Government might get from other interests in order that they might constitute a concern free of all liabilities either to the Government or to any one else?"

The hon. the PRESIDENT :—"The hon. Member has already exceeded the time-limit."

The hon. Mr. T. E. MOIR :—"I have very little more to say. If my hon. Colleague were here he would explain that these were the only financial interests that came forward to make an offer at all. That offer was that they would pay 4½ lakhs to the Government—this was to be cash down—if they could establish a clear right to the property, that is to say, they would take over the concern when Government had established its right for a sum of 4½ lakhs. In other words the total loss incurred by Government would be reduced by that amount."

Dr. B. S. MALLAYYA :—"The shareholders would go to the walls."

The hon. Mr. T. E. MOIR :—"The hon. Member does not surely suggest that we are not going to pay further moneys to the shareholders. The property is Government's. In any case the present arrangement is a matter which does not extend beyond another six weeks."

"With reference to another question of Mr. C. V. Venkataramana Ayyangar as to whether we have entered into a contract which binds us, I may say that we have absolutely a free hand. At the close of this period of three months Government will be in absolute possession of this mill and are entitled to dispose it to any interests, whether it be shareholders, whether it be Mr. Venkataramana Ayyangar or whether it be any other interests in Madras or elsewhere."

Mr. C. V. VENKATARAMANA AYYANGAR :—"With Mr. Natarajan in possession!"

The hon. Mr. T. E. MOIR :—"I have already stated that we are entitled to get rid of Mr. Natarajan at any time that suits our convenience and if we thought that the retention of Mr. Natarajan or the interests he is representing was going to interfere or prejudice any negotiations with interests with which we are better acquainted, whether it be shareholders or anybody else, then we shall not hesitate to get rid of Mr. Natarajan as an impediment to our carrying on such negotiations. We are not only entirely free to take such a course, but we would prefer, if it were possible, to free this concern and then entrust it to any interests which are derived from this Presidency."

* The hon. the PRESIDENT :—"The hon. Member has exceeded the time-limit."

The hon. Mr. T. E. MOIR :—"I shall finish my speech in a minute, Mr. President."

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* The hon. the PRESIDENT :—"There is no discretion vested in the President to allow an hon. Member to exceed his time-limit during the debate on adjournment motions."

(The hon. Mr. T. E. Moir then closed his speech.)

* The hon. Mr. M. R. SETURATNAM AYYAR :—"In view of the expression of opinion in this House I am prepared to say that steps will be taken immediately to stop the employment of Mr. Natarajan and that Government will take steps very soon to frame and make known the conditions and the period during which the shareholders or others may have an opportunity to pay off such amount as the Government fixes to liquidate the loan due to them."

* Mr. SAMI VENKATACHALAM CHETTI :—"It comes to me as a somewhat agreeable surprise that the Government have come out with a statement that they will put an end to the employment of Mr. Natarajan and also consider the conditions and the time during which the shareholders may find it convenient to negotiate with the Government for the payment of such amounts that are said to be due to the Government by the shareholders and which were advanced to them as loans. In view of that statement and also in view of the optimism, perhaps the little that I possess in this Government, that this promise would be kept up, I have much pleasure to beg leave of the House to withdraw my motion."

The motion was by leave of the House withdrawn.

* The hon. the PRESIDENT :—"The Council will now resume debate on the resolution of Mr. Bheemayya."

III—cont.

APPOINTMENT OF A COMMITTEE TO ENQUIRE INTO THE ECONOMIC CONDITION OF KISTNA, GODAVARI EAST AND GODAVARI WEST—cont.

* The hon. Sir NORMAN MARJORIBANKS :—"Mr. President, Sir, this motion proposes a recommendation to the Government that a committee be appointed for the purpose of making an open public enquiry into the economic condition of the tract as preliminary to the resettlement of the districts of Godavari East, Godavari West and Kistna and goes on to recommend that the resettlement scheme report of the Kistna, West Godavari and East Godavari be held in abeyance pending that enquiry."

"Now, Sir, I have considerable difficulty in making any remarks about this resolution as none of the members who spoke indicated clearly the scope of the enquiry desired. It is easy to suggest an economic enquiry but the term covers many descriptions of enquiry and covers a varied field. My further difficulty is how exactly the House considers—I mean those who have proposed and supported this motion have considered—that such an enquiry will have a bearing on the question of resettlement. I would in the first place very briefly invite their attention to the main principles of land revenue settlement in this Presidency. The basis on which land revenue assessment in this Presidency is made is the proposition that the State is entitled to a share of the crop from the land. It is not based on any consideration of the circumstances of the holders of lands. We do not make any difference whether a land is held by a rich man or a poor man. The assessment is made